

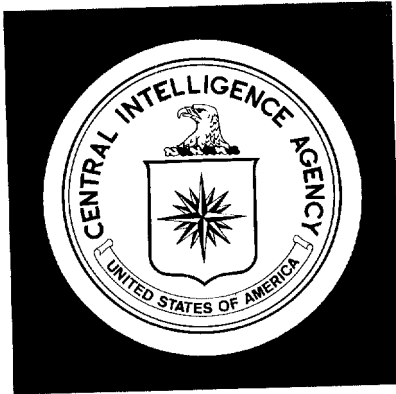
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# Weekly Summary

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The WEEKLY SUMMARY, issued every Friday morning by the Office of Current Intelligence, reports and analyzes significant developments of the week through noon on Thursday. It frequently includes material coordinated with or prepared by the Office of Economic Research, the Office of Strategic Research, the Office of Geographic and Cartographic Research, and the Directorate of Science and Technology. Topics requiring more comprehensive treatment and therefore published separately as Special Reports are listed in the contents.

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Military Management Committee members

## Vietnam 1-2

### SLOW ROAD TO REUNIFICATION

With the end of the war in Vietnam, attention quickly shifted to the question of Hanoi's future political strategy in the South and whether it would opt for a rapid integration of the two Vietnams or for a more gradual reunification process. The Vietnamese communists themselves have carefully avoided any precise or definitive announcements regarding the nature or likely duration of the current communist administration in the South. During the past week, however, celebrations in Saigon and Hanoi honoring the communist victory in South Vietnam and Ho Chi Minh's birthday appeared to shed some light on Hanoi's general approach to the South's future political course.

The celebrations, for example, made it fairly clear that, at least for the time being, many of the top personalities involved in the wartime communist administration in the South will continue to play leading roles in the new political process.

Pham Hung was listed first among the Southern dignitaries welcoming a North Vietnamese delegation to the ceremonies, and he apparently is to be Hanoi's senior man in South Vietnam. A member of the North Vietnamese Politburo, he has been Hanoi's senior official managing the communists' complex political and military organizations in the South since he assumed command of the Central Office for South Vietnam in 1967. He was identified as a member of the Central Committee of the Viet-

nam Workers' Party, "secretary of the South Vietnam Party organization," and "political commissar of the South Vietnam PLAF Command." This is the first time in several years that Hung has been identified publicly. Indeed, there had been some speculation that he had either been killed or had fallen out of favor with the Hanoi regime. His appearance as the party's Southern chieftain, however, indicates that Hanoi intends to exert direct control over the Southern party, government, and military apparatus.

Behind Hung, Nguyen Huu Tho emerges as the next man in the lineup as head of the National Front for the Liberation of South Vietnam. A man of lesser stature in the communist power structure, Tho apparently will continue to head the Front—or something closely resembling it—and probably will be in charge of forming the administrative apparatus.

Huynh Tan Phat, president of the Provisional Revolutionary Government, delivered a major address at the victory celebrations, suggesting that the PRG will remain in business for the time being as the formal entity with which foreign governments are to establish diplomatic relations. Communist spokesmen at the celebrations invited immediate recognition of the PRG by foreign capitals—including the US, providing Washington fulfills its "obligations under the Paris Agreement." Such a formulation probably means that the communists would demand

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certain tough conditions, such as the provision of US economic assistance.

Communist statements continue to affirm reunification as a fundamental objective and make it clear that the question is one of "when" rather than "if." Prior to reunification, however, Hanoi appears to be thinking in terms of an interim period during which the communists will secure firm administrative and political control in the South. Such an approach seemed to be outlined by the party's theoretician, Truong Chinh, when he listed "advancing toward reunification" last in a lengthy series of steps that had to be taken by the South in order to "strengthen solidarity" and achieve "national reconciliation."

In a similar vein, North Vietnamese party chief Le Duan has called on the South to develop "a sound and progressive national culture." Implying that reunification would be accomplished gradually, he told cadre in the North that they should "step up socialist construction" while people in the South should "unite and build a splendid democratic national regime."

A decision to adopt a gradual approach to reunification might be dictated in large part by the huge task of setting up a communist administration in the South. While little evidence is available to gauge how these efforts are progressing in the countryside, press reports from Saigon point up the problems that the new administration is confronting. Crime is apparently increasing, caused by the large number of unemployed and of armed former government military and civilian cadre living in the city. Since the city was liberated, the governing military commission has been forced to concentrate principally on registering former government cadre and organizing various youth, women, and labor groups to provide essential services for a city of nearly three million. The commission chairman, Tran Van Tra, has publicly conceded that it will be some time before Saigon is "properly administered."

#### **THAILAND: MAYAGUEZ IMPLICATIONS**

The Khukrit Pramot government has weathered fairly well its first serious political test, which was provoked by the Mayaguez affair. The unexpected arrival of US Marines at Utapao Air Base last week touched off strong anti-US protests, which leftist politicians unsuccessfully attempted to turn against the Khukrit coalition. Khukrit's strong criticism of the manner in which the US handled the incident served to deflect public anger away from his government. Although it did strain US-Thai relations, Bangkok's decision to acknowledge a US diplomatic note as an official apology defused tension in Thailand, where anti-US demonstrations had threatened to turn violent.

The week's events demonstrated clearly that the Khukrit government was not prepared to let the Mayaguez incident stand in the way of continued good relations with the US. While the episode will certainly strengthen the argument of those in the Foreign Ministry and the cabinet who favor a faster withdrawal of US forces from Thailand, Khukrit left no doubt during his May 16 press conference that his government would not be stampeded into taking precipitate action against US interests in Thailand. He did say, however, that existing US-Thai agreements would be reviewed and that the Thai government would have to give consideration to strengthening its control over US activities at Thai air bases.

The Mayaguez incident could scarcely have come at a worse time for the Khukrit government, which strongly desires to get off on the right foot with the new communist regime in Cambodia. Prior to the arrival of the US Marines, the Thai were already embroiled in several minor disputes with the Cambodians, including the seizure of a Thai fishing vessel—which was subsequently released along with the Mayaguez—and the demarcation of one stretch of their common border.

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**SECRET****LAOS: COMMUNISTS CONSOLIDATE CONTROL***Not Sourced*

The Pathet Lao are moving rapidly to establish control over non-communist areas of the country, despite their apparent willingness to maintain—at least for the time being—the trappings of a center-left coalition government in Vientiane. They are also orchestrating large-scale demonstrations against the US presence in Laos.

Pathet Lao combat troops have now occupied virtually every important former rightist stronghold in central and southern Laos. No resistance from non-communist forces has been reported. In the unlikely event that some form of organized resistance eventually develops that the Pathet Lao are incapable of handling, Hanoi probably will not hesitate to throw some combat units into the fray.

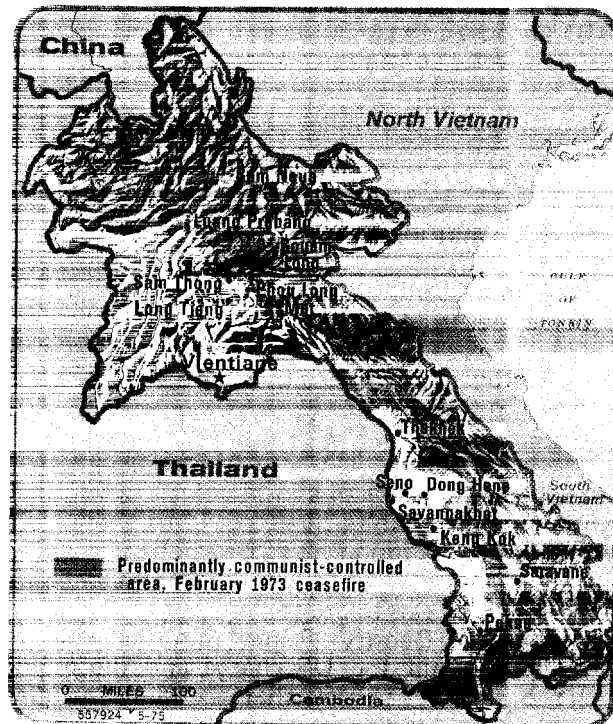
At least 1,000 Pathet Lao soldiers, accompanied by tanks and artillery, have reportedly moved into the city of Pakse. Farther north along the Mekong, an estimated three to four Pathet Lao battalions have occupied Savannakhet. Activist students and other communist-inspired demonstrators, who have been rabble-raising in the city for over a week, managed to marshal a large crowd to cheer the Pathet Lao's "triumphant" entry. Communist coalition officials in Vientiane dispatched reporters and camera crews to dutifully record the event. The 12 Americans—including three senior US AID officials—who had been placed under "voluntary" house arrest by the Savannakhet demonstrators on May 14 were finally released on May 22 after a coalition cabinet-level delegation gave in to the protestors demands that Savannakhet and other non-communist areas in central Laos be "neutralized."

Elsewhere in the Savannakhet area, Pathet Lao battalions have reportedly moved into the towns of Seno, Keng Kok, and Dong Hene. Lao communist forces are also said to have occupied the city of Thakhek, some 60 miles north of Savannakhet.

Communist-inspired demonstrations against the US erupted in Vientiane again this

week. An estimated 200-300 demonstrators—including students, Lao employees of AID, and some Pathet Lao plainclothes agitators—entered the main AID and defense attache compound and sealed it off. The demonstrators also broke into the nearby commissary and American community center; considerable looting and some property damage was reported. Units of the capital's joint police force—consisting mostly of Pathet Lao—were outside the compound but made no effort to restore order.

Demonstrators also seized the AID warehouse just outside the capital, and a small number of Pathet Lao troops—members of Vientiane's joint military security force—stationed themselves at the entrance to a nearby housing compound where some 143 American families reside. At last report, Americans were being permitted to enter but not to leave the compound, and all vehicles were being searched.

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**Pathet Lao troops entering Savannakhet**

In addition to carrying signs denouncing AID and CIA, the Vientiane demonstrators have issued several communiques demanding:

- abrogation of all "unequal US-Lao agreements, particularly the 1951 aid agreement";
- dissolution of the AID organization;
- immediate removal of all AID and CIA personnel from the country;
- transfer of all AID facilities and equipment to the coalition government.

Pathet Lao coalition officials have taken essentially the same line in private conversations with senior US embassy and AID officials. They obviously look upon the demonstrations as a means of bringing additional "popular" pressure on the US to capitulate to communist demands. Pathet Lao Deputy Prime Minister Phoumi Vongvichit told the US charge and the acting AID director this week that the coalition gov-

ernment wanted US assistance to Laos to continue, and he seemed to envisage a long-term requirement for such aid. Phoumi added, however, that USAID as a separate organization must be abolished and that all future assistance must be given directly to the coalition government which, in turn, would administer the program. If the US agrees to these terms, a small number of American aid "specialists" will be permitted to remain in Laos as "advisers" to the various coalition ministries responsible for dispensing the aid.

### **The Domestic Political Scene**

Prime Minister Souvanna convened an emergency meeting of the coalition cabinet earlier this week to select replacements for recently ousted rightist ministers and secretaries of state. In a surprise announcement, Souvanna named neutralist Interior Minister Pheng Phongsavan to replace Sisouk na Champassak as minister of defense. This presumably means that "acting" Pathet Lao Defense Minister Khammouane Boupha will return to his old number-two position at the ministry.

Uncontroversial non-communists were also named to replace Pheng at interior and to fill remaining vacancies at finance, foreign affairs, and public works. Souvanna has, in addition, selected his nephew and personal physician as a tentative replacement for rightist Health Minister Khamphay Abhay, in the likely event that Khamphay decides not to return to Laos from his present mission to Geneva.

Communist Deputy Prime Minister Phoumi Vongvichit, who Souvanna claims approved all of his selections, apparently made no effort to have Pathet Lao officials fill the vacant posts—all of which were allocated to the non-communists under the terms of the 1973 peace accords. This would appear to be another indication that the Pathet Lao are prepared, for the moment at least, to maintain the coalition facade.

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Souvanna also announced at the cabinet meeting that he had reached agreement with his Pathet Lao deputy Phoumi to expand the membership of the coalition's Joint National Political Council from 42 to 72 delegates and to convert that body into a legislative replacement for the recently dissolved, rightist-dominated National Assembly. The additional delegates, according to the Prime Minister, will be evenly divided between the non-communists, the Pathet Lao, and the so-called "qualified neutralists."

Transformation of the political council, which is chaired and dominated by communist leader Souphanouvong, into a legislative assembly has been a major goal of the Pathet Lao ever since they joined the coalition. With Souphanouvong riding herd over all of its delegates, the council will almost certainly become a rubber stamp Pathet Lao law-making body. [REDACTED]

will play a substantial role in both areas and for the near term, in fact, may have a monopoly in providing assistance to the Cambodians.

Phnom Penh radio has praised China for its "sincere support and mutual respect," noting that Cambodian solidarity with China is "strong, developing, and flourishing." In contrast, the Vietnamese have been lumped with the Laotians and Koreans as "other" close comrades in arms. The Soviet Union has not been mentioned at all.

Hanoi probably foresaw problems with the nationalistic and independent Khmer communists once the fighting ended and the Cambodians had less need for Vietnamese military assistance. It must be taken aback, however, by the suddenness with which the new regime is asserting itself. Public Khmer communist prohibitions against military bases in Cambodia and Phnom Penh's pointed references to the country's "territorial integrity" are obviously aimed at serving notice that Vietnamese communist freedom of movement in eastern Cambodia is a thing of the past. Although Hanoi's need to transit Cambodian soil ended with the fall of Saigon, the Vietnamese must be deeply disturbed by Khmer occupation of disputed islands in the Gulf of Thailand.

*Not Sourced*  
**CAMBODIA: PEKING HAS EARLY ROLE**

Their presence overshadowed first by the widely publicized deportation of foreigners from Phnom Penh and then by the Mayaguez incident, the Chinese have been quietly getting in on the ground floor with the new Cambodian regime. Chinese representatives have been in the Cambodian capital since late April, and Chinese merchant ships have begun calling at the port of Kompong Som.

Propaganda statements from Phnom Penh have stressed the need for self-sufficiency, but the new leadership will need rapid short-term assistance merely to overcome supply shortages and will be completely dependent on outside technical advice in getting Cambodia's small industries on their feet. The early arrival of Chinese technicians and ships indicates that Peking

Given their considerable investment in the insurgency, the Vietnamese undoubtedly find the situation frustrating. At the moment, however, Hanoi must adjust to political realities and rely on its supporters in the Cambodian leadership to maintain a degree of influence.

Peking—concerned over the possible extension of Vietnamese hegemony in Indochina and the growth of Soviet influence in the region—is surely gratified by developments in Cambodia. During the war, China hedged its bets by continuing to support Prince Sihanouk while strengthening ties with communist leaders in Cambodia. Given the apparent receptiveness of the new leaders in Phnom Penh to Chinese overtures, this approach seems to be paying off handsomely. [REDACTED]

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## EGYPT: PROMOTING SOLIDARITY 15-16

President Sadat's recent week-long swing through four Arab states ended with the appearance of restored Arab solidarity but did little to move the Arabs closer to a unified approach to the Geneva peace conference. By consulting with some of his fellow Arab leaders in advance of his meeting with President Ford on June 1, the Egyptian President may at least have partially disarmed his Arab critics who have long felt he acts too independently.

Sadat's tour included a stop in Kuwait, visits to Iraq and Jordan—the first ever by an Egyptian president—and a brief stopover in Syria. During press conferences in each country, Sadat gave unusual vent to his frustration with the Palestine Liberation Organization. He indicated that he has still not succeeded in working out a unified Arab strategy—or in getting the PLO itself to announce a position on whether and under what representational formula it would agree to attend the Geneva conference. Asked at a Kuwait press conference how he would resolve the issue of PLO representation, Sadat replied peevishly that the question might

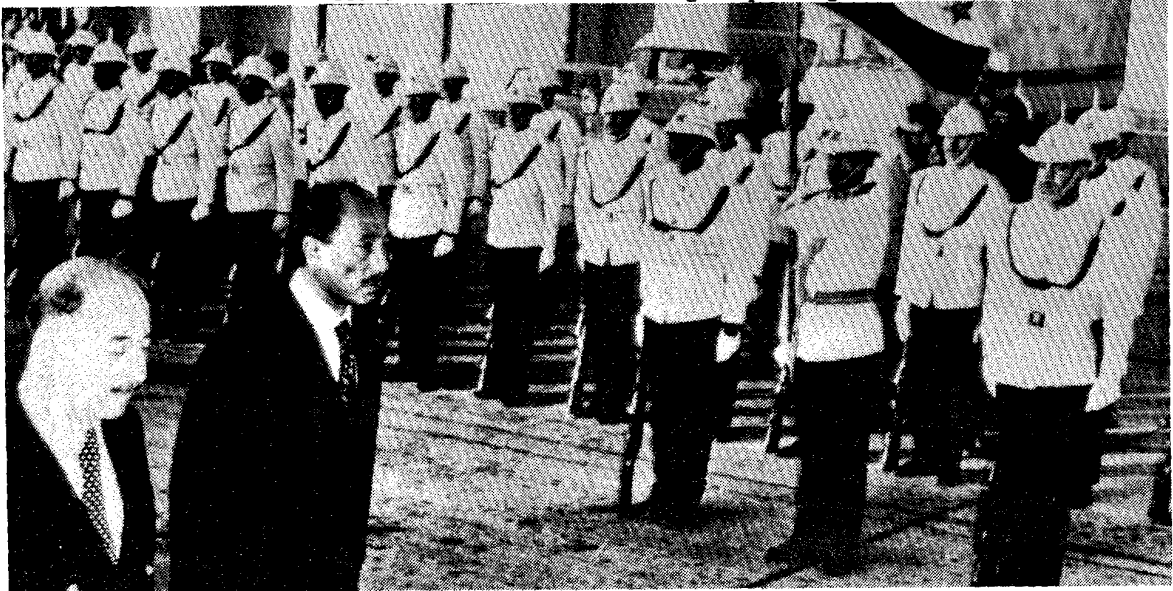
better be asked of the Palestinians, who, he implied, had not yet decided even whether to go to Geneva.

He repeated this theme, in somewhat softer tones, at his other stops, including Damascus, where he had just completed an hour-long consultation with PLO Chairman Yasir Arafat. This suggests that Sadat received little satisfaction from Arafat—and probably little support from the Syrians for Egypt's views on the Palestinian issue.

Sadat also implicitly criticized the Palestinians for refusing to recognize Israel and thus impeding progress toward reconvening the Geneva conference. At the Kuwait press conference, he said that Israel is "an existing reality" whose 1967 borders cannot be touched. He labeled demands for Israel's destruction as "one-upmanship in which I am not prepared to get involved." The PLO leadership is undoubtedly not happy. Sadat has never before so explicitly stated Egypt's recognition of Israel before an Arab audience.

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Presidents Bakr and Sadat reviewing troops in Baghdad



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## LEBANON: PRIME MINISTER RESIGNS

Prime Minister Rashid Sulh resigned late last week after leaders of the country's two largest Christian political parties withdrew their support to protest his handling of the disturbances in Beirut last month. It could take President Franjiyah several weeks to come up with a new prime minister, since he must be acceptable not only to the President but to the country's main political and religious blocs.

Lebanese leftists and the fedayeen made a last-minute effort to drum up support for Sulh's government. Although they opposed him on many issues, they valued the freedom provided by his weak leadership and were eager to deny the right-wing Phalanges Party the credit for bringing down the government.

By custom, the prime minister must be a Sunni Muslim. In recent years, leaders of that sizable community have been reluctant to serve under Franjiyah, who dislikes sharing power with anyone. Over the past two years, however, Franjiyah has been ill-served by three weak prime ministers, and he may now be ready to make the concessions necessary to recruit a more assertive and politically powerful candidate.

The next prime minister's primary challenge will be the country's deteriorating security situation. Militia of the Phalanges Party and the fedayeen clashed in Beirut again this week, leaving at least 5 persons dead and 40 injured. This was the first significant violation of the April 16 cease-fire that ended four days of fighting between the two groups. Government security forces, ineffective last month, this time moved quickly to set up roadblocks to contain the violence.

There is no evidence that the Lebanese army or the major fedayeen groups were involved in the fighting this week, which was limited primarily to mortar and small-arms fire.



Parliamentarian tries to pull Prime Minister Sulh back into parliament

At the present time, however, repeated clashes between the Phalangists and the radical fedayeen could lead to widespread calls for changes in the country's delicately balanced system of government. Sulh, who is serving as caretaker prime minister, has already called for such changes and has openly sided with the Palestinians against the Phalangists.

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## SPANISH SAHARA: UN VISITORS

The visit to Spanish Sahara and Morocco this week by an investigating team of the UN Committee on Decolonization has stirred up the parties contesting the territory's future. The UN team, which has already been to Madrid, will go on to Algeria and Mauritania.

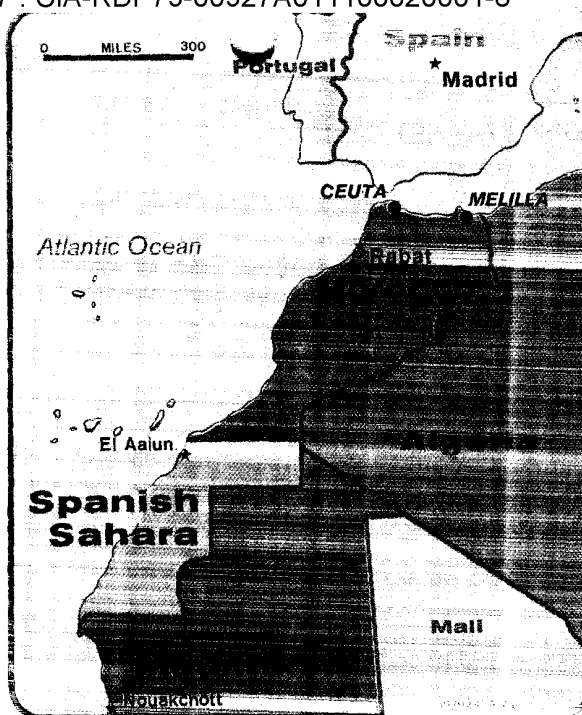
Two of the contestants, Morocco and Algeria, clashed during a meeting in Cairo late last month. The day after the meeting, King Hassan warned that, while Morocco would prefer to negotiate the issue, it might use force to prevent "self-determination in the Sahara." Algeria, which is determined to block Moroccan annexation of the area, supports a referendum in the belief Saharans will opt for independence and be susceptible to Algerian influence.

The Moroccan press is giving heavy play to recent hit-and-run strikes against Spanish forces in the Sahara, portraying the attacks as the work of a Moroccan-backed Saharan insurgent group. The coverage suggests that Rabat is using Moroccan irregular troops posing as Saharans in small-scale guerrilla operations in the Spanish Sahara.

Spain has reportedly moved several army units from the Canary Islands to El Aaiun in response to the recent incidents and to replace Saharan soldiers of questionable loyalty.

Last week, a Moroccan unit in southern Morocco fired a surface-to-air missile—probably an SA-7—at two intruding Spanish helicopters; the helicopters were not hit. The firing probably was the act of an individual soldier or local commander, but it could also have resulted from a decision by Rabat to challenge the fairly frequent Spanish overflights of the area.

The Moroccans' pressure tactics are probably intended to demonstrate to the UN team that there are pro-Moroccan Saharans and also to induce Madrid to resume negotiations. Rabat might be willing to include Mauritania in a future dialogue with Spain inasmuch as it has accepted Nouakchott—but not Algiers—as an interested party to the dispute.



Meanwhile, recent allegations in the Spanish press about secret conversations involving Spain, Morocco, and Mauritania led Foreign Minister Cortina to announce that Spain continues to support a UN-supervised referendum on self-determination for the Sahara.

the press stories came from Spanish officials who favor a negotiated settlement with Morocco. The arguments of these officials have been weakened by King Hassan's renewed claim to Spain's enclaves in northern Morocco—Ceuta and Melilla—territories that Madrid says it will not give up. Madrid appears to believe that a referendum would result in a vote for an independent state, which the Spaniards could hope to control.

The Spaniards postponed plans for a referendum after the UN General Assembly last fall adopted a Moroccan-initiated resolution sending the dispute to the International Court of Justice. Spain, Morocco, and Mauritania have submitted written briefs to the court, which began hearing the case last week. Algeria has made an oral presentation of its views as an interested party. A court opinion is expected in time for the next General Assembly session in September.

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GENEVA: NPT CONFERENCE CONTINUES

27-29

During almost three weeks of meetings in Geneva, the delegates at the conference to review the Non-Proliferation Treaty have focused on the standard complaints about the lack of progress in disarmament negotiations and the need for money for nuclear power development. The lack of confidence in current non-proliferation efforts may explain why less than half of the treaty's 118 signatories have thus far sent representatives to the session. On May 30, the conference plans to publish a declaration outlining its accomplishments and recommending future disarmament actions.

The nuclear powers have, as expected, come under fire by allies and enemies alike for their failure to achieve the complete nuclear disarmament called for by the NPT. In the opinion of many countries, moreover, the disarmament pacts already negotiated have not fulfilled the treaty's aims; they believe it is now time to impose qualitative and quantitative curbs on nuclear weapons development. The argument has also been made that progress in the seismological field with respect to verification procedures has made a comprehensive test ban treaty technically possible.

Some of the nonaligned states are calling for a timetable for concluding a test ban, but such a resolution has little chance of passage by the necessary two thirds of the participants. The demand nevertheless serves to bring together those who reject the claims of the nuclear powers that the NPT system has worked and should be preserved in its present form.

Financing their nuclear development is another sore point for many NPT parties, the developing countries in particular. Because they have foreclosed their option to develop nuclear weapons by adhering to the treaty, the developing countries want compensation in the form of increased technical assistance or donations of nuclear equipment, materials, and technology from the nuclear states. Although not required by the treaty to limit their nuclear assistance to NPT members, the nuclear states

have previously stated that they would give preferential treatment to states that have adhered to the treaty.

The developing states argue that promises are not sufficient and that preferential provision of nuclear supplies should be made definite. The Nigerians have proposed the creation of a fund under the International Atomic Energy Agency to provide technical assistance in the field of peaceful uses of nuclear energy. The UK, US, and USSR would be required to finance the bulk of the fund's operations.

Many developing states are also demanding that nuclear exporters who are parties to the treaty should require IAEA safeguards on all the nuclear facilities of any country receiving nuclear supplies. Only NPT parties are now required to submit to such comprehensive safeguards and they argue that this is not only expensive but also makes it easier for non-treaty countries to acquire nuclear supplies. Whatever the conference recommends, non-treaty nuclear exporters such as France would be unlikely to abide by new export guidelines.

The conference has also discussed the perennial topic of peaceful nuclear explosions. Actual demands for such services from the nuclear states have not been particularly strong, even though a political issue is still made of the failure of the nuclear powers to make progress on providing services. To some extent, US arguments that peaceful explosions technology has not yet reached the stage of commercial application are being heeded. On the issue of security assurances, most states have not been as amenable to nuclear power arguments and are pressing for meaningful defense commitments by the UK, US, and USSR in case of nuclear threats. Such proposals are likely to meet with little support from the nuclear states, who argue that previous assurances—in the form of a UN Security Council resolution—are sufficient.

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## PORTUGAL: MILITARY CHALLENGED

30-39

Recent events in Portugal may lead to key leadership changes in the Armed Forces Movement as well as neutralization of the political parties. The growing friction between the political parties and the military, the possibility of civil war in Angola, and the rapid deterioration of the economy are giving rise to uncertainty about the ability of the present leaders to deal with the country's problems.

The 240-member armed forces general assembly met on May 19 to consider a number of serious foreign and domestic problems, including the possibility of renewed fighting in Angola. Radical officers reportedly were prepared to use the meeting to exert further pressure on military moderates, but President Costa Gomes apparently was able to steer discussion away from issues on which the moderates are vulnerable. In the reorganization following the March 11 coup attempt, the assembly was assigned several key functions, but it now appears to be used primarily as a sounding board for policies drawn up by the powerful Revolutionary Council.

Communists at *Republica*

AP/MI

One of the reports taken up by the assembly called for a more direct relationship between the Armed Forces Movement and the people through the organization of worker councils and neighborhood committees—presumably at the expense of the political parties. Although there was no decision calling for early implementation of the proposal, it is widely rumored that the military is now contemplating some decisive action against the parties, including their dissolution. Following the assembly meeting, the Movement issued a statement attacking all the parties, including the Communists, for their partisan politics and urging their unequivocal support of Movement policies.

In a speech on May 19, Communist Party leader Alvaro Cunhal for the first time openly criticized the Movement's attitude toward his party. Voicing his fear that the military was moving toward the abolition of all parties, Cunhal insisted that the military should not tar all parties with the same brush and that those supporting the revolution should receive different treatment. Up to now, the Communists have enjoyed a special relationship with radical leaders of the Movement, but this may now be cooling. Cunhal has stated previously that his party will go underground again if its present role is curtailed.

The situation was further complicated this week when Communist printers seized control of the Socialist Party newspaper *Republica*, one of the few remaining newspapers still willing to criticize the Movement. Armed paratroopers prevented Socialist demonstrators from regaining control of the newspaper's premises. On May 20, the government announced the newspaper would remain closed until the matter is adjudicated, which could take three months. The Socialists apparently are convinced that they are in a struggle for survival and have taken to the streets in protest.

Another disaffected group, the outlawed extreme-leftist Reorganizing Movement of the Proletariat Party, claimed to have discovered a rightist plot and—with the assistance of a radical

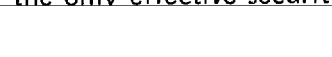
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armed forces unit—proceeded to arrest some 20 “fascists.” While initially accepting the plot thesis and detaining those arrested, the military leadership branded the action counter-revolutionary. By midweek, the party’s demonstrators had taken to the streets in opposition to the Movement.

The leadership of the Movement is probably under greater strain now than at any time since the military took power last year. The moderate parties’ victory in the constituent assembly election and the disastrous slide of the economy have badly shaken the confidence of the present ruling group. A failure of the decolonization policy in Angola or a prolongation of the present struggle with the political parties could lead to changes in key leadership positions in the very near future.

While the military has no serious rival for power at the moment, its continued failure to solve Portugal’s urgent problems could lead to the ouster of President Costa Gomes, or Prime Minister Goncalves, or both. Admiral Rosa Coutinho, or possibly Brigadier Otelo de Carvalho, who controls the military’s internal security force, could assume one of the top posts. Rosa Coutinho, who is capable and extremely ambitious, has recently been selected for a number of key positions in the Movement and enjoys a reputation for getting things done. Otelo, while not known as a creative political thinker, also is a contender because he controls the only effective security force in the country.



Fock’s eight-year tenure as premier was closely linked with the relatively liberal Hungarian program of economic reform. As head of government, he was responsible not only for administering the program, but also for ensuring that decentralization did not get out of hand. In March, however, Fock candidly admitted that the government had failed to control the economy satisfactorily. Although Fock has had some past differences with the Soviets, there are no signs that these frictions played a role in his dismissal.

The new premier, Gyorgy Lazar, appears well qualified to upgrade the central government’s economic role. Although the 51-year-old Lazar is politically inexperienced, he is considered a competent economist and has had lengthy experience in investment and labor planning.

For some time, Kadar has been trimming back the economic reform—even the term is no longer used publicly. Earlier, he had dismissed other high-level economic decision makers and had put tighter restrictions on factory managers.

Hungary’s difficult economic problems have also encouraged more centralized decision-making. The country has been hard hit by Western inflation and recession, as well as by price increases for Soviet raw materials. Budapest had a substantial trade deficit with the West last year, and the current deficit is running at an even higher rate. As a result, the Hungarians have significantly tightened controls on investment and resource allocations. Budapest has not yet dismantled its reform structure, however, and continues to avoid the detailed central planning practiced in other Communist countries.

## HUNGARY: NEW PREMIER 35-39

The “resignation” last week of Premier Jenő Fock—officially for health reasons—and his replacement by former deputy premier Gyorgy Lazar appear to be part of party leader Kadar’s efforts to project a fresh image for Budapest’s domestic economic policy.

Debate within the leadership over how to meet these economic challenges may have played a part in Fock’s departure. In a recent article, Lazar was critical of the management of the economy, saying that Hungary had failed to adapt quickly enough to changing conditions in the West. The Hungarian media have suggested there is also some contention over whether stricter import controls are necessary.



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**WESTERN ALLIANCE WEEK**

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Ministerial meetings of the International Energy Agency and of the Organization for Economic Cooperation and Development next week in Paris cap a year of efforts to increase the importance of these institutions to Atlantic unity. The session will also mark the beginning of concrete efforts to address the demands of the Third World. British Foreign Secretary Callaghan's view that the ministerials are part of a "Western Alliance Week" culminating with the NATO summit in Brussels on May 29-30 reflects the satisfaction of most European leaders with the increasingly important role of the two organizations.

In the last year, the OECD's 24 members:

- overcame serious differences to form the International Energy Agency;

- agreed to a \$25 billion fund for states with oil-related balance of payments problems;

- initiated their most far-reaching review to date on a coordinated policy on raw materials and relations with poor states.

The energy agency ministerial will be the first since the agency was established last November to implement a US-inspired plan for oil sharing in the event of another embargo. The agency has also begun research on development of alternative energy sources and is reviewing a US proposal to establish minimum prices for oil to help guarantee investment in alternative energy sources. In the face of threats by oil producers to boost oil prices even higher,

**IEA and OECD officials at board meeting**



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however, most members may not feel under pressure to move quickly on this proposal.

The members are nevertheless pleased with their solidarity at the abortive preparatory meeting of oil producers and consumers in Paris last month. Although the consumers continue to be interested in resuming talks with the oil producers, most have shifted their priority to the larger issues of trade in all raw materials and relations with the Third World. These topics will dominate the OECD ministers meetings.

The oil crisis has sharpened the recognition of the OECD states—particularly the Europeans and Japanese—of their dependency on raw materials. The industrialized states have been looking for ways to assure themselves of long-range supplies and of steady prices. They are confronted by the rising expectations of developing states that export raw materials and look to the OPEC cartel as a model for their own behavior.

Some of the OECD states, in particular the EC Nine, have shown an increased willingness to give in to the developing states on rhetorical issues, such as the insistence on canonizing the "Declaration for a New International Economic Order" and the "Charter of Economic Rights and Duties of States." This shift left the US isolated in its opposition to the final declaration of the UN Industrial Development Organization's conference in Lima last March. The OECD states nevertheless are not prepared to capitulate to all the demands of the developing states. At the Paris energy talks, for example, where concrete rather than rhetorical concessions were sought by the developing states, the other industrialized countries did not break ranks with the US.

Policy reviews on these issues in many of the OECD countries will not be completed

#### SCHEDULED MEETINGS

May 26	EC foreign ministers in Dublin
May 27	IEA ministers in Paris
May 28-29	OECD ministers in Paris
May 29-30	NATO summit in Brussels
May 29-30	Regular US-EC bilateral consultations in Brussels

before the ministerial meeting. Nevertheless, most Europeans and the Japanese believe that the final shape of an OECD policy must reflect a willingness to negotiate some basic issues with the developing states. The ministers' meeting in Paris will probably have to thrash out the guidelines for a common policy as well as instructions for a special high-level group that will develop formal specific proposals on raw materials during the summer.

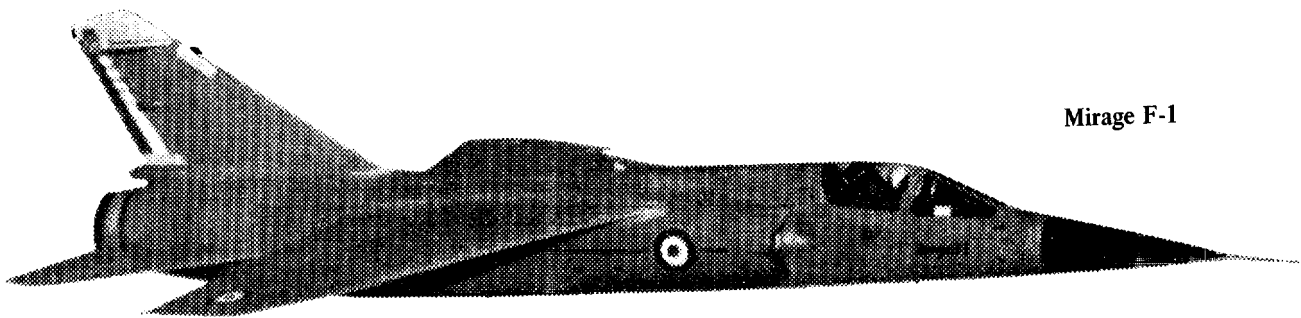
The OECD ministers will also look toward strengthening the internal cohesion developed during the last year. They will reaffirm their pledge not to resort to new import restrictions or export subsidies "for balance of payments purposes." The pledge, designed to curb beggar-thy-neighbor policies in the face of world recession, has not been kept by Australia and Finland.

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Mirage F-1

## F-104 REPLACEMENT STILL MUDDLED

41-94

The four-nation European consortium seeking an F-104 replacement aircraft has still not reached a consensus on whether to purchase the F-16 or the Mirage F-1. Belgian efforts to promote the French F1/E, headed by Defense Minister Vanden Boeynants, continue to keep the other countries from announcing the F-16 as the consortium's choice. The Danish, Dutch, and Norwegian defense ministers have pointed out to Brussels that the Belgians will have to bear the responsibility if the consortium breaks up.

Around mid-May, the French again intensified their efforts to push the F1/E by dropping the price to match that of the F-16. Paris also hinted that it might react favorably to Belgian efforts to promote a joint European aircraft industry, and that France was interested in exploring future cooperation in defense projects with the EC Nine. The French continue to underscore their position that the consortium countries could best launch a "Buy Europe" program by choosing the F1/E now.

Short-term French strategy reportedly was based on delaying a consortium decision until after May 15, the date the US price offer was scheduled to run out. Although the deadline has been extended through the end of May, the French are likely to continue this strategy. Paris reportedly assumes that any renegotiation of the F-16 offer will result in a sharp price increase.

Spokesmen for the various defense ministries now indicate that Belgium, the Netherlands, and Denmark have agreed to announce which of the competing aircraft each has chosen before the end of the month. Norway has al-

ready announced it has chosen the F-16, provided its three partners opt for the same aircraft. Spokesmen for the other three indicated a similar provision—that all four countries make the same choice. If the four cannot reach a common decision by the end of the month, it is possible that the consortium could break up.

Brussels apparently will use the time to make another effort to "pin the French down." A high-ranking Belgian admitted to US officials that the French offer to think seriously about European defense cooperation was vague and non-binding. Nevertheless, Brussels reportedly is intrigued by Giscard's offer to consider defense cooperation with the Nine, especially the French President's pledge to give serious consideration to French participation in such West European programs as the multirole combat aircraft.

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## US-POLAND FISHING TALKS

47-48

Poland and the US began negotiations on a new bilateral fishing agreement this week. The talks have focused on the protection of fishing resources near the US east coast and expansion of port call privileges for the Polish fishing fleet at east coast ports, but Warsaw will also seek a similar agreement for the US west coast.

The existing agreement, signed in 1973, calls for voluntary protection of US Atlantic fish stocks and provides for limited Polish access to east coast ports. A similar accord, with expanded port call rights, is likely to be signed, but an agreement on west coast fishing will face strong resistance from US fishermen.

Until 1968, Polish fishing activity outside the Baltic was concentrated in the North and Norwegian seas. Since then, Poland has greatly expanded its fishing operations off Newfoundland and Long Island, and its heaviest catches are now from the northwestern Atlantic. In 1972, units of the fleet began fishing off the west coast of Africa, and others moved during 1973 to the Pacific for the first time—off the west coast of South America and the US.

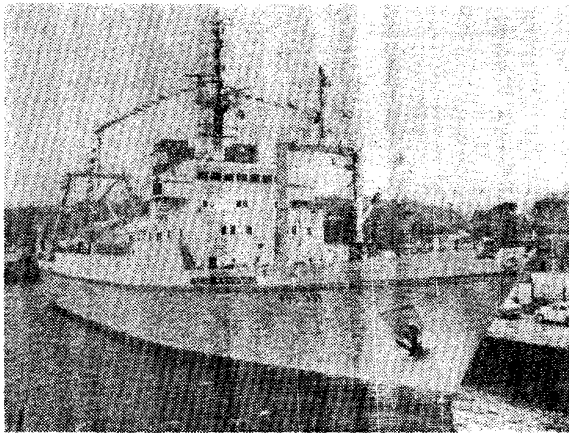
The Polish fishing fleet caught an estimated 630,000 tons in 1974, exceeding the five-year plan's goal of 590,000 tons by 1975. This

largely resulted from new technology, more ships, and centralization of the fishing industry's management. As of mid-1974, the Polish fishing fleet was the fifth largest in the world, with 265 ships totaling 271,000 tons. Poland's share of total world tonnage was only 2.5 percent, however, slightly less than that of the US; two thirds of world fishing tonnage is concentrated in the Soviet and Japanese fleets.

Most ships in Poland's fleet are modern—two thirds of its ocean-going units are less than ten years old. Large factory trawlers equipped to process fish on board make up more than half of total tonnage. Their predominance in the fleet raises the average size of Polish fishing vessels to 1,020 tons, second only to the Soviet fleet.

Poland belongs to only 3 of the 20 international regulatory commissions having jurisdiction over fishing in specific geographic regions or species of fish; all 3 are concerned with Atlantic fishing. Warsaw also participates in the UN Food and Agricultural Organization, but is not a party to any conservation agreements. The Poles do have bilateral fisheries agreements—largely for joint deep sea fishing ventures and research—with eight countries, six of which are developing nations. Warsaw has promised assistance in building port and processing facilities in several developing countries but is seeking financial contributions from other countries or international organizations. Under any circumstances, Poland's financial commitment to these projects will be modest.

Polish fishing goals call for an increase in the annual catch to 1 million tons during 1976-1980. To meet this goal, Warsaw will continue to expand its fleet and seek new fish species. The fleet will extend its fishing activities to the eastern Pacific as well as to the South African shelf, the western Indian Ocean, and Antarctica. Other goals include extensive international cooperation with countries near rich fishing grounds, participation in joint fishing companies, and increased fish exports.



*Polska Marynarka*

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## ARGENTINA: POWER PLAY IN THE ARMY

49-53

A showdown between the newly appointed Argentine army commander, General Laplane, and President Maria Estela Peron's government has been narrowly averted. Interference in army affairs by presidential adviser Lopez Rega, however, has angered many officers and will probably lead them to step up talk about the desirability of a coup.

The forced resignation of Argentina's army commander, Lieutenant General Anaya, and his replacement by Major General Alberto Numa Laplane was Lopez Rega's opening move in a drive to extend his influence over the army. This incident was followed up recently by an order from Defense Minister Savino for the retirement of two brigadier generals who are anathema to Lopez Rega. General Laplane refused to carry out the order and offered to resign. Granted an audience with the President, he apparently won some concessions permitting him to name his own men to key army positions.

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*LOPEZ REGA'S PERSONAL CHOICE HAS STRONGER LOYALTIES FOR THE ARMY AND WON PRESIDENTIAL APPROVAL TO APPOINT HIS OWN MEN.*

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Laplane, who reportedly was chosen by Lopez Rega for his pro-Peronist sentiments, may have increased his prestige within the army by demonstrating that his first loyalty was to the army rather than to the Peronists. Laplane's strong stand was doubtless a reflection of widespread military sentiment. Army officers were already incensed over the manner in which Lopez Rega had engineered the abrupt dismissal of Anaya.



Lopez Rega and President Peron

The armed forces remain the only obstacle blocking Lopez Rega's quest for absolute power. Any further attempt by him to expand his political influence will produce another open challenge from the army, whose new commander has shown that he does not want to be tagged as a tool of Lopez Rega. He will be under strong pressure from his officers to resist the social welfare minister's attempts to put a tight leash on the army. Even without a new move by Lopez Rega, military leaders, who still prefer to retain President Peron, are likely to renew their efforts to remove her principal adviser.

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**BOLIVIA: GULF OIL** 60-64

President Banzer is trying to cash in on growing nationalistic sentiment against Gulf Oil by pushing a tough campaign against the company.

On May 20, the government arrested Gulf's representative in La Paz and "criminal proceedings" were begun against him, the company, and its US chairman. La Paz also has asked the OAS permanent council to condemn the company's "sordid activities" in developing countries. Earlier, the Bolivian ambassador in Washington requested State Department cooperation in eliciting full details on the company's admission that in the 1960s it had made "political contributions" to supporters of former president Rene Barrientos.

Banzer's aides are telling US officials that "serious" political repercussions will result from the Gulf Oil disclosures unless the names of those involved are revealed and legal proceedings

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against them begun. There were initial indications that students, junior officers, and opposition leaders might seize upon the controversy as a means of attacking Banzer on the broader issue of corruption in government. More recently, however, this threat has been superseded by an outpouring of public indignation against the oil company—particularly its implication of the late General Barrientos, one of the country's few national heroes.

Banzer, with no durable political base, has repeatedly had to quash conspiracies and coup attempts against his regime. He now sees an opportunity to undercut his opponents and gain popular support by defending "national

dignity" and attacking one of the favorite targets in Latin America—the multinational corporation.

The Bolivian government still owes Gulf Oil over \$50 million as indemnification for oil installations nationalized in 1969. La Paz, allegedly because of growing public pressure, is threatening to suspend indemnity payments until the company fully clarifies its allegations. Since the payments are actually made by Argentine purchasers of Bolivian oil and gas and go directly into a New York bank trust account, Banzer's threats may be empty although effective for domestic consumption. [REDACTED]

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